

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
	§	
CORE SCIENTIFIC, INC., et al.,	§	Case No. 22-90341 (DRJ)
	§	
Debtors.¹	§	(Jointly Administered)
	§	

**NOTICE OF FILING OF DEMONSTRATIVE TO BE USED BY THE
DEBTORS AT THE MARCH 20, 2023 HEARING AT 1:00 PM (CENTRAL TIME)**

PLEASE TAKE NOTICE THAT on March 9, 2023, the Debtors filed the *Debtors' Emergency Motion for Order Approving (I) Global Settlement Between Debtors and Priority Power Management, LLC, (II) Assumption of the EMCSA, (III) Entry Into the New Agreements and (IV) Granting Related Relief* (Docket No. 655), with a proposed order appended thereto as Exhibit 1 (the “**Proposed PPM Settlement Order**”).

PLEASE TAKE FURTHER NOTICE THAT a hearing (the “**Hearing**”) is scheduled for March 20, 2023 at 1:00 p.m. (prevailing Central Time) before the Honorable David R. Jones, United States Bankruptcy Judge for the Southern District of Texas, Houston Division to consider entry of the Proposed PPM Settlement Order.

PLEASE TAKE FURTHER NOTICE that the Debtors’ undersigned counsel will present a slide deck demonstrative, attached hereto as **Exhibit A**, to the Court and other interested parties at the Hearing.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (6074); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors’ corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

Dated: March 19, 2023
Houston, Texas

Respectfully submitted,

/s/ Alfredo R. Pérez

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Attorneys for Debtors

and Debtors in Possession

Certificate of Service

I hereby certify that on March 19, 2023, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez
Alfredo R. Pérez

EXHIBIT A



PPM Settlement Hearing
March 20, 2023

Roadmap

- 1 Overview Of Cedarvale And Cottonwood Data-Center Facilities
- 2 Debtors' Business Relationship With PPM
- 3 Disputes Between Debtors and PPM
- 4 PPM Settlement
- 5 Approval Of PPM Settlement Is Warranted

Overview Of Cedarvale And Cottonwood Data-Center Facilities



The Cottonwood Data-Center Facility



The Cedarvale Data-Center Facility



Debtors' Business Relationship With PPM

- Priority Power Management, LLC (“**PPM**”) is an energy management services procurement and infrastructure development firm that provides third parties with consulting and energy procurement services.
- Since 2021, Core Scientific Inc. (“**Core**”) has contracted with PPM to provide various consulting, energy management, and energy infrastructure development services in connection with Debtors' Cedarvale and Cottonwood data-center facilities in Texas.
- The agreements between Core and PPM include:
 - Energy Management and Consulting Services Agreement, June 29, 2021 (the “**EMCSA**” or the “**Power Procurement Agreement**”)
 - Energy Services Agreement, August 6, 2021, amended August 24, 2021 (the “**ESA**” or the “**Construction Agreement**”)
- There are also two draft agreements between Core and PPM:
 - Electric Asset Management Services Agreement, DRAFT (the “**EAMSA**” or the “**Asset Management Agreement**”)
 - Energy Management Services Agreement, DRAFT (the “**EMSA**” or the “**Curtailment Agreement**”)

Disputes Between Debtors and PPM

- There are two primary disputes between Debtors and PPM:
 - **Debtors' Potential Claims:**
 - Debtors have potential claims and causes of action against PPM arising from, among other things, the Debtors' contention that PPM represented that Core could anticipate receiving 1,000MW across the Cottonwood and Cedarvale data-center facilities on a short ramp-up schedule.
 - Core built out the Cottonwood and Cedarvale facilities to accommodate this anticipated power load, but the 1,000MW were not allocated to those data-center facilities as anticipated.
 - **PPM's Asserted Rights And Claims:**
 - PPM asserts that it retains title to all assets subject to the Curtailment Agreement.
 - PPM has also asserted mechanics' liens against Debtors relating to work performed at the Facilities and goods, labor and materials supplied to, for or in connection with the Debtors or the Facilities.
 - The total amount in the amended mechanics lien is \$20,800,674.

PPM Settlement

- The Debtors and PPM have reached a global settlement (the “**PPM Settlement**”) resolving all issues and amounts owed between the Debtors and PPM.

- **Principle Terms Of The PPM Settlement:**
 - PPM to have a single allowed claim for approximately \$20.8 million deemed paid in full.
 - Debtors to transfer its interest in the equipment listed in Annex A to PPM, free and clear.
 - Debtors to assume the Power Procurement Agreement, as amended.
 - Key Amendments: (1) revised initial term, (2) relaxing the scope of PPM’s exclusivity to allow Debtors to negotiate their own electricity supply agreement, and (3) Debtors to pay PPM’s fee for the lifetime of any new electricity supply agreement that Core enters into during the term of the Power Procurement Agreement.
 - Debtors to enter into the Asset Management and Curtailment Agreements.
 - PPM to retain about \$514,000 in revenue generated under the draft Curtailment Agreement.
 - Debtors to reimburse PPM legal and out-of-pocket expenses up to \$85,000.
 - Debtors to introduce PPM to any acquirer of the Facilities.
 - Mutual release of all claims and causes of action.

The Equipment

Location / Status	Equipment that was delivered but not installed	Equipment that was delivered and installed	Equipment in PPM's possession
Cost	\$5,839,219	\$341,825	\$17,005,736
Cedarvale Equipment	<ul style="list-style-type: none"> 10 – Substation - Siemens Industry - 34.5kV 2000A Distribution Breakers 9 – Substation - Dis-Tran - 100kVA; 19.9kV; 120/240V Station Service Transformers 24 – Distribution - VT - 35kV Padmount Transformers 	<ul style="list-style-type: none"> 2 – Substation - Siemens Energy - 138kV Breaker 	<ul style="list-style-type: none"> 2 – Substation - VT - 150/200/250KVA; 138/34.5kV Power Transformer 97 – Distribution - VT - 35kV Padmount Transformers
Cottonwood Equipment	<ul style="list-style-type: none"> 1 – Substation - VT - 150/200/250KVA; 138/34.5kV Power Transformer 6 – Substation - Dis-Tran - 100kVA; 19.9kV; 120/240 Station Service Transformers 	<ul style="list-style-type: none"> 1 – Substation - Siemens Energy - 138kV Breaker 5 – Substation - Siemens Industry - 34.5kV 2000A Distribution Breakers 	<ul style="list-style-type: none"> 39 – Distribution - VT - 35kV Padmount Transformers

The Equipment



The above shows an uninstalled and unassembled substation power transformer at Cottonwood that is listed on Annex A and will transfer to PPM.

Why Approval Of The PPM Settlement Is Warranted

- Litigating the Debtors potential claims will be costly and success is uncertain.
- The PPM Settlement is the product of good-faith, arm's-length bargaining between the Debtors and PPM.
- The PPM Settlement Is Reasonable And In Debtors' Best Interests:
 - Debtors will satisfy the PPM Claim and PPM Liens with surplus equipment that Debtors cannot utilize.
 - Debtors will have the flexibility to negotiate an electricity supply agreement directly with a REP, which will provide valuable optionality.
 - The PPM Settlement is a global settlement that will stabilize the relationship between Debtors and PPM.